



ROCKHILL
UNDERWRITING
MANAGEMENT

a member of the State Auto Group

September 25, 2017

240 LEIGH FARM ROAD
SUITE 175
DURHAM, NC 27707
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SENT CERTIFIED RETURN RECEIPT
RECEIPT NO.: 7007 0710 0004 2920 0359
AND REGULAR MAIL

Property Risk Services Management, Inc
458 Scenic Ranch Circle
Fairview Texas 75069

Insured: Property Risk Services management
Location: Motel 6 3716 Houston Way, Victoria Texas
Date of loss: 08/25/17
Contract No: CTW 001198
Policy Inception date: 06/10/17

084060 OFFICE SERVICES

NOV 10 2017

Reservation of Rights

CHQ-P-11

Dear Property Risk Services Management:

Rockhill Insurance Company continues to acknowledge your claim under policy CTW 001198 for a loss at your properties located at 20515 Aldine, Humble, Texas; 2720 NASA Rd, Seabrook Texas; & 3716 Houston Highway, Victoria Texas, that was reported to us on 08/29/17. It was reported that the building(s) sustained damage from Hurricane Harvey. If there were additional buildings that sustained damage, please let us know immediately.

Before we can pay any policy benefit, you must fully comply with all policy requirements. Rockhill must investigate and determine if the policy is valid, if the claim is valid, and the extent any coverage applies to the loss.

In order that the company may continue to handle this matter, we want you to know that we are proceeding under a complete reservation of any and all rights under the policy for reasons including the following:

Please understand that **this is not a denial of your claim**. By the phrase "reservation of rights," we mean that the contractual rights of both you and Rockhill will be fully protected and any action taken by Rockhill, its agents, adjusters and/or independent representatives in investigating and/or ascertaining the loss and coverage under the policy of insurance, the scope and amount of loss or damage, and any other fact or circumstance relating to or pertaining to your claim and to the loss at the premises specified above shall not waive or invalidate any of the terms and conditions of the policy of insurance issued by Rockhill.

Please be advised that nothing done by Rockhill Insurance Company, or by anyone on our behalf, should be interpreted as a waiver of any of the rights, terms and conditions contained within the subject policy of insurance. To the contrary, this investigation is proceeding subject to a full reservation of the rights, terms and conditions contained within the policy of insurance.

At this time, our investigation has determined that various coverage provisions may come into play with regard to your submitted claim. We are referencing the following policy provisions that may be applicable to your claimed loss:

Please refer to your policy, and particularly to the coverage provisions found on form CAT7037 01 16 which states in part:

CAUSES OF LOSS – NAMED STORM

A. Covered Causes of Loss

When "Named Storm" is shown in the Declarations, Covered Causes of Loss means the following:

We cover risk of direct physical loss or damage to covered property only when the direct physical loss is the result of a "Named Storm" that occurs during the policy period.

1. "Named Storm" means:

- a. A storm that is identified and named as a Hurricane, Tropical Depression, Cyclone or Tropical Storm by the National Hurricane Center of the U.S. National Weather Service; and
- b. that is identified as a Hurricane, Tropical Depression, Cyclone or Tropical Storm at the time of landfall in the State in which your covered and damaged property is located.

B. Exclusions

1. We will not pay for loss or damage which would not have occurred in the absence of one or more of the following excluded events. We do not insure for such loss regardless of: (a) the cause of the excluded event; or (b) other causes of the loss; or (c) whether other causes acted concurrently or in any sequence with the excluded event to produce the loss; or (d) whether the event occurs suddenly or gradually, involves isolated or widespread damage, arises from natural or external forces, or occurs as a result of any combination of these:

a. Ordinance Or Law

The enforcement of any ordinance or law:

- (1) Regulating the construction, use or repair of any property; or
- (2) Requiring the tearing down of any property, including the cost of removing its debris.

This exclusion, Ordinance Or Law, applies whether the loss results from:

- (1) An ordinance or law that is enforced even if the property has not been damaged; or
- (2) The increased costs incurred to comply with an ordinance or law in the course of construction repair, renovation, remodeling or demolition of property, or removal of its debris, following a physical loss to that property.

(3) e. Utility Services

(4) The failure of power or other utility service supplied to the described premises, however caused, if the failure occurs away from the described premises. Failure includes lack of sufficient capacity and reduction in supply.

(5) This exclusion does not apply to the Business Income coverage or to Extra Expense coverage. Instead, the Special Exclusion in Paragraph **B.3.(a)** applies to these coverages.

g. Water

- (1) Flood, including, but not limited to, surface water, waves, tsunami, tides, tidal water, tidal waves, storm surge, overflow of any body of water, or spray from any of these, all whether driven by wind or not;
- (2) Mudslide or mudflow;
- (3) Water that backs up or overflows or is otherwise discharged from a sewer, drain, sump, sump pump or related equipment;
- (4) Water under the ground surface pressing on, or flowing or seeping through:
 - (a) Foundations, walls, floors or paved surfaces;
 - (b) Basements, whether paved or not; or
 - (c) Doors, windows or other openings.
- (5) Water or any other substance on the surface of the ground regardless of its source; or
- (6) Waterborne material carried or otherwise moved by any of the water related causes referred to in Paragraph (1), (2), (3), (4) or (5).

h. "Fungus", Wet Rot, Dry Rot And Bacteria

Actual or threatened existence, presence, growth, release, transmission, proliferation, spread, migration, dispersal, exposure to or activity of "fungus", wet or dry rot or bacteria, even if the fungus, wet or dry rot or bacteria is caused by or results from windstorm or hail.

This policy does not pay for the cost of removal, demolition, repair, remediation, disposal, decontamination, remodeling, reconstruction or replacement of Covered Property due to the existence, growth, release, presence, transmission, proliferation, spread, migration, dispersal, exposure to or activity of "fungus", wet or dry rot or bacteria, even if by law or civil authority, the fungus, wet or dry rot or bacteria must be removed, remediated, disposed of, or decontaminated.

Nor does this policy pay for any cost associated with the enforcement of any ordinance or law which requires any insured or others to test for, monitor, clean up, remove, contain, treat, detoxify or neutralize, or in any way to respond to, or assess the effects of fungus, wet or dry rot or bacteria.

Exclusions **B.1.a.** through **B.1.h.** apply whether or not the loss event results in widespread damage or affects a substantial area.

2. We will not pay for loss or damage to the interior of any building or structure, or the property inside the building or structure, caused by a "Named Storm" that occurs during the policy period, whether driven by wind or not, unless the building or structure first sustains wind damage to its roof or exterior walls through which rain, hail, sand, or dust enters.

3. We will not pay for loss or damage caused by or resulting from:

- f. Neglect of an insured to use all reasonable means to save and preserve property from further damage at and after the time of loss.

g. 4. Special Exclusions

- h. The following provisions apply only to the specified Coverage Forms. See specified Coverage Form for defined terms.

Business Income (And Extra Expense) Coverage Form, Business Income (Without Extra Expense) Coverage Form, Or Extra Expense Coverage Form

We will not pay for:

- a. Any loss caused directly or indirectly by the failure of power or other utility service supplied to the described premises, however caused, if the failure occurs outside of a covered building.

Failure includes lack of sufficient capacity and reduction in supply.

- b. Any loss caused by or resulting from:

EXHIBIT 2

ROCKHILL000239

- (1) Damage or destruction of "finished stock"; or
- (2) The time required to reproduce "finished stock".

This exclusion does not apply to Extra Expense.

- (3) f. Any other consequential loss.

CAT 7011 (01/17) states in part:

6. DUTIES OF THE NAMED INSURED IN THE EVENT OF LOSS OR DAMAGE

You must see that the following are done in the event of loss or damage to covered property:

- a. Notify the police if a law may have been broken.
- b. Give us prompt notice of the loss or damage, including a description of the covered property involved.
- c. As soon as possible, give us a description of how, when and where the loss or damage occurred.
- d. Take all reasonable steps to protect the covered property from further damage.
- e. If feasible, set the damaged property aside and in the best possible order for examination. Also keep a record of your expenses for emergency and temporary repairs, for consideration in the settlement of the claim. This will not increase the Limit of Insurance.
- f. At our request, give us complete inventories of the damaged and undamaged property. Include quantities, costs, values and amount of loss claimed.
- g. Permit us to inspect the property and records proving the loss or damage. Also permit us to take samples of damaged property for inspection, testing and analysis.
- h. If requested, permit us to question you under oath at such times as may be reasonably required about any matter relating to this insurance or your claim, including your books and records. In such event, your answers must be signed.
- i. Send us a signed, sworn statement in proof of loss containing the information we request to investigate the claim. You must do this within 60 days after our request. We will supply you with the necessary forms.
- j. Cooperate with us in the investigation or settlement of the claim.
- k. Resume all or part of your "operations" as quickly as possible.

12. LEGAL ACTION AGAINST US

No one may bring a legal action against us under this policy unless:

There has been full compliance with all of the terms of this policy; and
The action is brought within two (2) years after the Occurrence that is the subject of a claim.

It is agreed that the above policy is hereby amended as follows:

The following exclusion is added to the policy:

We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

The following exclusion is added to the policy:

We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.

Flood

- (a) Flood, including but not limited to: surface water, waves, tides, tidal waves, storm surge, overflow of any body of water or their spray, all whether drive by wind or not.
- (b) Mudslide or mudflow;
- (c) Water that backs up or overflows from a sewer, drain or sump; or
- (d) Water under the ground surface pressing on, or flowing or seeping through:
 - (1) Foundations, walls floors or paved surfaces;
 - (2) Basements, whether paved or not; or
 - (3) Doors, windows or other openings.

But if Water, as described in (a) through (d) above, results in fire, explosion or sprinkler leakage, we will pay for the loss or damage caused by that fire, explosion, or sprinkler leakage.

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

LIMITATIONS ON COVERAGE FOR ROOF SURFACING

This endorsement modifies insurance provided under the following:

BUILDERS RISK COVERAGE FORM
BUILDING AND PERSONAL PROPERTY COVERAGE FORM
CONDOMINIUM ASSOCIATION COVERAGE FORM
CONDOMINIUM COMMERCIAL UNIT-OWNERS COVERAGE FORM
STANDARD PROPERTY POLICY

SCHEDULE

Premises Number	Building Number	Indicate Applicability (Paragraph A. and/or Paragraph B.)
All	All	Actual cash value applies for roof surfacing that is 15 years old or older.

Information required to complete this Schedule, if not shown above, will be shown in the Declarations.

- A. The following applies with respect to loss or damage by a **Covered Cause of Loss (including wind and hail if covered)** to a building or structure identified in the Schedule as being subject to this Paragraph A.:

Replacement Cost coverage (if otherwise applicable to such property) does not apply to roof surfacing. Instead, we will determine the value of roof surfacing at actual cash value as of the time of loss or damage.

- B. The following applies with respect to loss or damage by **wind and/or hail** to a building or structure identified in the Schedule as being subject to this Paragraph B.:

We will not pay for cosmetic damage to roof surfacing caused by wind and/or hail. For the purpose of this endorsement, cosmetic damage means that the wind and/or hail caused marring, pitting or other superficial damage that altered the appearance of the roof surfacing, but such damage does not prevent the roof from continuing to function as a barrier to entrance of the elements to the same extent as it did before the cosmetic damage occurred

C. For the purpose of this endorsement, roof surfacing refers to the shingles, tiles, cladding, metal or synthetic sheeting or similar materials covering the roof and includes all materials used in securing the roof surface and all materials applied to or under the roof surface for moisture protection, as well as roof flashing

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY. LIMITED FUNGI, WET or DRY ROT, or BACTERIA COVERAGE

This endorsement modifies insurance provided under the following:

Causes of Loss – NAMED STORM
Causes of Loss – Windstorm or Hail

It is hereby understood and agreed that the following Sublimit applies to this policy.

The limits of liability apply to the total of all loss or costs payable under this endorsement, regardless of the of "occurrences", the number of claims-made, or the number of locations insured under this endorsement and listed in this Schedule. This amount is included within, and is not in addition to, the applicable limit of insurance shown in the Declarations.	
Property Coverage Limit Of Liability for the Additional Coverage "Fungi", Wet Or Dry Rot, Or Bacteria	\$15,000

Additionally, the following is added to the policy:

A. Exclusion

The following is added to Paragraph B. Exclusion, Exclusion h. "Fungus", Wet Rot, Dry Rot And Bacteria

This exclusion does not apply to the extent coverage is provided in the Limited Coverage for "Fungus", Wet Rot, Dry Rot And Bacteria with respect to loss or damage by a covered cause of loss.

B. Additional Coverage- Limited Coverage for "Fungus", Wet Rot, Dry Rot And Bacteria

1. The coverage described in **B.2.** and **B.6.** only applies when the "fungus", wet or dry rot or bacteria is the result of a "specified cause of loss" and only if all reasonable means were used to save and preserve the property from further damage at the time of and after that occurrence.
2. We will pay for loss or damage by "fungus", wet or dry rot or bacteria. As used in this Limited Coverage, the term loss or damage means:
 - a. Direct physical loss or damage to Covered Property caused by "fungus", wet or dry rot or bacteria, including the cost of removal of the "fungus", wet or dry rot or bacteria;
 - b. The cost to tear out and replace any part of the building or other property as needed to gain access to the "fungus", wet or dry rot or bacteria; and
 - c. The cost of testing performed after removal, repair, replacement or restoration of the damaged property is completed, provided there is a reason to believe that "fungus", wet or dry rot or bacteria are present.
3. The coverage described under **B.2.** of this Limited Coverage is limited to \$15,000. Regardless of the number of claims, this limit is the most we will pay for the total of all loss or damage arising out of all occurrences of "specified causes of loss" which take place in a 12-month period (starting with the beginning of the present annual policy period). With respect to a particular occurrence of loss which results in "fungus", wet or dry rot or bacteria, we will not pay more than a total of \$15,000 even if the "fungus", wet or dry rot or bacteria continues to be present or active, or recurs, in a later policy period.
4. The coverage provided under this Limited Coverage does not increase the applicable Limit of Insurance on any Covered Property. If a particular occurrence results in loss or damage by "fungus", wet or dry rot or bacteria, and other loss or damage, we will not pay more, for the total of all loss or damage, than the applicable Limit of Insurance on the affected Covered Property.

If there is covered loss or damage to Covered Property, not caused by "fungus", wet or dry rot or bacteria, loss payment will not be limited by the terms of this Limited Coverage, except to the extent that "fungus", wet or dry rot or bacteria causes an increase in the loss. Any such increase in the loss will be subject to the terms of this Limited Coverage.
5. The following, **B.5.a.** or **B.5.b.**, applies only if Business Income and/or Extra Expense coverage applies to the described premises and only if the "suspension" of "operations" satisfies all terms and conditions of the applicable Business Income and/or Extra Expense coverage form.
 - a. If the loss which resulted in "fungus", wet or dry rot or bacteria does not in itself necessitate a "suspension" of "operations", but such "suspension" is necessary due to loss or damage to property caused by "fungus", wet or dry rot or bacteria, then our payment under Business Income and/or Extra Expense is limited to the amount of loss and/or expense sustained in a period of not more than 30 days. The days need not be consecutive.

If a covered "suspension" of "operations" was caused by loss or damage other than "fungus", wet or dry rot or bacteria but remediation of "fungus", wet or dry rot or bacteria prolongs the "period of restoration", we will pay for loss and/or expense sustained during the delay (regardless of when such a delay occurs

during the "period of restoration"), but such coverage is limited to 30 days. The days need not be consecutive.

CAT 7022 states in part

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

Pre-Existing Damage Endorsement

It is understood and agreed that this policy shall exclude any loss or damage directly or indirectly caused by, resulting from or contributed to by any pre-existing damage to any covered property, at the time of the loss.

It appears that the above provisions apply to the facts of your case. By limiting policy reference to those cited, Rockhill does not waive other policy provisions. The policy in its entirety is incorporated by reference as though fully set forth in this letter.

Neither this letter nor any act, past or future, by any representative of "Rockhill Insurance Company" should be construed to waive any of the terms, requirements and conditions of our insurance policy, nor should our actions be construed as either an admission or denial of our company's liability to pay any proceeds of this policy, or as a waiver of any right, claim or potential defense thereunder.

It is possible that there are additional reasons (other than those cited above) why coverage would not apply. In spite of these coverage limitations, we will proceed to investigate this claim. We specifically, reserve our right to rely on the policy language, and to deny coverage for any valid reason that may appear.

If you should have any questions or wish to discuss this matter further, please call me at 614-917-4975. Additionally, if you have more information you would like for us to consider please send it immediately. This letter is subject to amendment should additional information become available. Thank you for your attention to this matter.

Sincerely,

Sherri King

Sherri King
Claims Examiner
Rockhill Insurance Company
614-917-4975
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